

Regional Dialogue Implementation Framework:

The Slice/Block Product General Overview **Update**

October 24, 2007



Issues Addressed

This document represents an update to the Slice/Block product framework presented on August 29, 2007, based primarily on BPA's October 19, 2007 response to public customers' strawman proposal on products and rate design. Only those slides that have been revised are included within this document.

- All changes are in red font
- Slide 3 (slide 8 from August 29 document) – Slice/Block Product Design philosophy
- Slide 4 (slide 9 from August 29 document) – Slice/Block and the High Water Mark
- Slide 5 (slide 10 from August 29 document) – Slice Allocation Methodology

Slice/Block Product Design Philosophy

- Slice will be combined with Block to form a single product.
 - Block combined with Slice can be either flat annual, or flat monthly and shaped to each customer's net requirement load shape
 - Monthly shape is based upon load used to determine 2010 High Water Marks (and firm resource amounts for 2010 as established in 2006)
 - Diurnal shaping and capacity add-ons will not be allowed with the Slice Block
- There are several reasons for combining Block with Slice, including:
 - Block will act as a shock absorber through the term of the agreement in order to maintain a constant Slice Percentage for Slice/Block customers
 - For load loss below Contract High Water Mark as well as fluctuations in Rate Period High Water Mark
 - Load loss in excess of Block amounts will result in a reduced Slice Percentage
 - Simplified contract administration (Regional Dialogue goal)
 - Spreads limited amount of Slice among more customers
 - Slice combined with Block is more in line with the typical shape of customers' loads, when compared to the shape of Slice alone
 - Maintains BPA's current risk profile related to Slice
- Consistent with current Slice/Block ratios, and for reasons listed above, BPA will set the minimum Block amount for each Slice/Block customer at 30% of their Tier 1 net requirement purchase.
 - A customer may elect to purchase more than the minimum Block requirement
 - The Block percentage will need to increase to the extent the Slice component is fully subscribed



Slice/Block and the High Water Mark

- The quantity of Slice/Block available for purchase by a customer will be based upon the lesser of their Rate Period High Water Mark or their annual Net Requirement load (Tier 1 purchase).
 - Tier 2 Block will be available for Net Requirement amounts in excess of the High Water Mark
- Determination of Contract High Water Marks, Rate Period High Water Marks, Net Requirements load, resource removal rights, etc, will be developed as part of the Tiered Rates Methodology.

Slice Allocation Methodology

- Prospective Slice customers will have an opportunity to allocate among themselves the available Slice amount (each customer must request at least the minimum Block amount).
- To the extent these efforts do not produce satisfactory results within the allowed timeframe, the following method shall be used to allocate the available Slice amount.
- Slice/Block purchasers will request a Selected Slice Percentage (SSP) not to exceed 70% of their Tier 1 net requirement purchase (given the 30% Block minimum).
- If the sum of the SSP's exceeds 25% of the FBS, BPA will reduce the individual SSP's proportionately to achieve the 25% limit.
- If the SSP is reduced, the purchaser may increase their Block by an amount less than or equal to the reduction in SSP, expressed in aMW.
- Example:
 Total SSP requests = 30% of FBS (Reduced SSP will be calculated as 25/30 of the requested SSP)
 Customer A's SSP request = 5%
 Customer B's SSP request = 1.5%

Customer A's reduced SSP = $5 \times (25/30) = 4.1667\%$

Customer B's reduced SSP = $1.5 \times (25/30) = 1.25\%$

